

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 MUSCAT 000495

SIPDIS

DEPARTMENT FOR NEA/ARPI (TROBERTS), NEA/PPD (CWHITTLESEY), NEA/P  
(FFINVER), IIP/G/NEA  
DEPARTMENT PLEASE PASS USTR(CNOVELLI)

E.O. 12958: N/A

TAGS: [KPAO](#) [SOCI](#) [MU](#)

SUBJECT: SPECIAL OMAN ONLINE: A/USTR NOVELLI DEMYSTIFIES FTA  
DURING ONLINE DISCUSSION

1. Summary: The Omani Internet chat rooms "al-Sablah" and "al-Majarra" are the liveliest and most comprehensive Arabic-language fora for political and social discourse in the country, touching on issues and personalities rarely addressed in the conventional media. While not totally free, nor wholly reflective of Omani public opinion, these popular sites nevertheless offer a worthwhile window into the hot topics and unvarnished views of the day. This edition of Oman Online contains the following topics:

FTA Round One Negotiations Between Oman and The United States

End summary.

-----  
Appreciation for Access  
-----

2. Assistant U.S. Trade Representative for Europe and the Mediterranean and head of the FTA negotiating team in Oman Catherine Novelli addressed the pros and cons of the FTA agreement and its impact on Oman during a web chat hosted by al-Sablah. One Sablah member greeted Ms. Novelli stating, "We welcome you and appreciate your talking to us, the ordinary people of Oman." Ms. Novelli responded, "We believe that this agreement is going to bring about feasible benefits to both America and the Sultanate. It is going to open the market for both sides." Another member stated, "This is really an ironic situation, our being able to talk to one of the United States' top officials, while our own government does not care enough to provide us with information."

-----  
Responses Soothe Concerns  
-----

3. Many members expressed fears and concerns over the "joining of the weak and loose economy of Oman with the strongest economy and market in the world of the U.S.," as one participant put it. Ms. Novelli's responses seemed to help calm the fears of the participants, especially in regard to political questions like the involvement of the Americans in the internal politics of Oman, or the potential for the U.S. to pressure Oman to normalize its relations with Israel as part of the negotiation requirements.

-----  
Dynamic Dialogue  
-----

4. The following is the summary of the questions and the responses between Ms. Novelli and the members of al-Sablah:

-- Why not sign an FTA with the GCC collectively?

The United States strongly supports the GCC as a positive force for economic integration and openness. Regarding free trade agreements, we work with countries based on their specific situation in terms of economic development and decision-making. Our goal is to conclude FTAs with all GCC nations at the earliest opportunity. We fully support regional integration, and our FTA partners have assured us that the agreement does not conflict with GCC goals.

-- Would an FTA allow harmful or prohibited goods into Oman?

An FTA does not require a country to allow entry of prohibited goods. Nothing in the agreement requires Oman to change the current situation with respect to regulating harmful or prohibited goods.

-- Would the FTA harm Oman's relations with Saudi Arabia?

We currently have reached a free trade agreement with one GCC member (Bahrain), we are negotiating with two others (Oman and UAE), and we are in serious discussions with two other states (Kuwait and Qatar) about future FTA talks. A majority of the GCC states support bilateral FTA's with the U.S. With respect to Saudi Arabia, we are working closely with the Kingdom on its accession to the World Trade Organization. We fully support the GCC, and an FTA with Oman will not threaten that union.

Political relations among GCC members must be worked out among themselves.

-- Can Omani products compete with American products?

Omani goods will have an advantage over similar goods from non-FTA countries because an FTA mandates the elimination of all duties on agriculture, textiles, and other goods. The United States represents the largest market for goods in the world, and currently has a \$600 billion trade deficit with the rest of the world. Oman currently enjoys a \$300 million trade surplus with the U.S.

-- How will Omani textiles survive after the end of quotas? Will the FTA help?

Ending textile quotas was a worldwide agreement. The FTA will give Omani textile producers preferential treatment in the U.S. market by removing all tariffs, to which non-FTA states will still be subject. Again, the U.S. is the largest marketplace in the world.

-- How will the FTA affect Foreign Direct Investment in Oman?

The United States has long-standing, good relations with Oman stretching for almost 200 years, and we foresee no problems in our future relations. American companies continue to show their long-term confidence in Oman through large investments: Dow Chemical (\$3 billion), Bechtel (\$1.3 billion), and Occidental all envision massive investment increases in the Sultanate in the coming years.

-- Will American products swamp our market?

The U.S.-Jordan FTA has been in force for four years. Imports from Jordan to the U.S. have increased in that time from \$11 million annually to \$1.2 billion annually, and the rate of that growth has increased each year. U.S. exports to Jordan have also increased, but not nearly at the exponential rate as Jordanian exports to the U.S.

-- Will the FTA impact the boycott against Israel?

The FTA is a bilateral agreement between the U.S. and Oman that does not involve third parties. The GCC renounced the secondary and tertiary boycotts of Israel long before the beginning of FTA discussions.

-- What is your frank assessment of the drawbacks of the FTA to Oman?

We do not see any drawbacks. The free trade agreement is a win-win situation. In Jordan, 40,000 new jobs were created as a result of the free trade agreement and none were lost as a result of it. Trends are increasingly positive in Jordan. An FTA will lead to greater prosperity here in Oman also. We should picture our trade relations as a pie with finite slices. Our aim is for that pie to keep on growing, so everyone's slice gets bigger.

-- What is the difference between WTO membership and the FTA?

Our free trade agreements are built upon the foundation of our WTO commitments. The FTA, however, involves even deeper commitments. Under WTO, for example, countries can keep tariff barriers, whereas in an FTA we agree to eliminate these tariffs.

-- What is the impact if Oman signs FTA's with China or Germany?

We are happy to have competition in the marketplace. We fully support economic liberalization, and we have no objection to Oman signing FTAs with other nations.

-- Can you disclose the text of the agreement?

We do not disclose texts during ongoing negotiations, since these are strictly government-to-government talks. But after we agree on a text, and even before the agreement is signed, we post the entire text on our website which is accessible to all: [www.ustr.gov](http://www.ustr.gov).

-- Do recent arrests in Oman have any relation to the FTA talks?

Absolutely not. There is no connection whatsoever.

-- Are you testing public opinion by posting a message on Sablah?

We believe strongly in transparency, and feel it is important that the public knows what we are doing. In the United States, we have formal processes for soliciting input and comments. We value public opinion, and we take it seriously.

-- Will there be any impact of Qualified Industrial Zones on Oman's policies?

There is no impact on Oman. QIZs are special projects authorized by the U.S. Congress that involve only Egypt and Israel, and

Jordan and Israel.

BALTIMORE